

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7438**

**BILL NUMBER:** HB 1729

**DATE PREPARED:** Jan 26, 2001

**BILL AMENDED:** Jan 25, 2001

**SUBJECT:** Gambling.

**FISCAL ANALYST:** Jim Landers

**PHONE NUMBER:** 232-9869

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Dockside Gaming:* The bill changes the definition of a "Riverboat" to a permanently or continuously moored vessel. The bill also permits Riverboat owners to conduct gambling games while a Riverboat is docked and allowing the continuous ingress and egress of passengers for the purpose of gambling. However, the bill prohibits Riverboats on the Ohio River from being connected in any way to a non-navigational barge, vessel, platform, or other structure.

*Riverboat Admissions Tax:* The bill changes the basis for imposing the Riverboat Admissions Tax from the number of persons admitted to a Riverboat to the number of persons on board a Riverboat at the time a passenger count is recorded. The bill requires passenger counts to be conducted one hour after the start of each daily "reporting period" and once every two hours thereafter. The daily "reporting period" begins at 6 a.m. each day and concludes at 5:59 a.m. the following day. If, as scheduled, the Riverboat does not open to the public at the start of the daily reporting period, passenger counts must be conducted one hour after the Riverboat begins admitting people during the reporting period and once every two hours thereafter. The bill imposes an additional \$1 Admissions Tax on Riverboat owners who conduct dockside gaming operations; and an additional \$1 Admissions Tax on Riverboat owners who conduct gaming operations on a permanently or continuously moored vessel.

*Local Distributions of Riverboat Admissions Tax Revenue:* The bill caps at the FY 2001 level the amount of Admissions Tax revenue that can be distributed to Riverboat docksite cities, counties, and county convention and tourism bureau or promotion funds. The bill distributes revenue above the cap to counties without Riverboats.

*Riverboat Wagering Tax:* The bill changes the Riverboat Wagering Tax from a flat tax of 20% to a graduated tax structure ranging from 20% to 32.5%; and changes the distribution of the Wagering Tax.

*Parimutuel Pull Tabs:* The bill authorizes the sale of Pari-mutuel Pull Tabs at a horse racing track, a horse

racetrack facility located in Marion County, and a horse racing satellite facility located in Orange County at the West Baden Springs Hotel. The sale price of a Pari-mutuel Pull Tab can not exceed \$10. The bill prohibits the sale of Pari-mutuel Pull Tabs in a county where a Riverboat is docked. The bill also provides that French Lick must adopt an ordinance to permit the filing of applications for a permit to operate a satellite facility in French Lick. The bill prohibits the sale of Pari-mutuel Pull Tabs at Hoosier Park or the Marion County satellite facilities after June 30, 2004, unless the Orange County facility is operating and selling Pull Tabs. Also, the bill prohibits the sale of Pari-mutuel Pull Tabs at Hoosier Park unless voters in Madison County approve of such sales.

*Pari-mutuel Pull Tabs Taxes:* The bill imposes a tax of 20% on the adjusted gross receipts received from the sale of Pari-mutuel Pull Tabs. The bill also imposes an additional \$3.00 Parimutuel Admissions Tax for horse racing tracks and satellite facilities that sell Parimutuel Pull Tabs. The Admissions Tax is imposed either on each paid admission (if there is an admission charge) or the number of persons present at the facility at the time a patron count is recorded (if there is no admission charge). The bill requires patron counts to be conducted one hour after the start of each daily “reporting period” and once every two hours thereafter. The daily “reporting period” begins at 6 a.m. each day and concludes at 5:59 a.m. the following day. If, as scheduled, the facility does not open to the public at the start of the daily reporting period, patron counts must be conducted one hour after the facility begins admitting people during the reporting period and once every two hours thereafter.

*Racetrack Provisions:* The bill limits grants from Riverboat Admissions Tax revenues by the Horse Racing Commission to racetrack owners who sell Pari-mutuel Pull Tabs either at the racetrack or at a satellite facility. The bill specifies the amount of Admissions Tax revenues to be deposited in a new breed development fund. The bill also specifies a minimum number of race days for this breed at Hoosier Park.

*Voluntary Exclusion Program:* The bill requires the Indiana Gaming Commission to adopt rules to implement a program in which problem gamblers may voluntarily exclude themselves from Riverboat gambling facilities. The bill provides that the program must include a list of the participating persons. It also provides that a person may be excluded or ejected from a Riverboat gambling facility if the person's name is on the list of program participants. The bill provides that a person who participates in the program commits criminal trespass, a Class A misdemeanor, if the person knowingly or intentionally enters a Riverboat gambling facility.

*Other Protective Measures:* The bill prohibits a Riverboat owner from securing credit extended to a patron by a mortgage or vehicle title. The bill also prohibits ATM withdrawals on Riverboats from exceeding \$200 per account per day.

*Penalties for Underage Entry to a Riverboat:* The bill makes it a Class A misdemeanor for a person to knowingly or intentionally aid, induce, or cause a person less than 21 years of age and who is not an employee of a Riverboat to enter or attempt to enter a Riverboat. It also makes it a Class A misdemeanor for a person who is less than 21 years of age and who is not an employee of a Riverboat to knowingly or intentionally enter or attempt to enter a Riverboat.

*Civil Actions for Check Deception by Riverboat Owners:* The bill provides that a Riverboat Owner is not entitled to treble damages in a civil action against a person who caused the Riverboat owner pecuniary loss by committing check deception. It also provides that the Riverboat owner may bring the civil action for actual damages.

*Riverboat Ownership:* The bill removes the prohibition on a Riverboat owner from owning more than 10% interest in another Riverboat. The bill permits a person to own up to a 100% interest in two Riverboats.

*Purchasing Goals:* The bill establishes minority and women business purchasing goals for horse racing track and satellite facility owners selling Pari-mutuel Pull Tabs; and places responsibility for enforcement of these requirements under the Horse Racing Commission. The bill also specifies the distribution of fines for violations of this and a similar provision for Riverboat owners.

*Gaming Commission Disciplinary Proceedings:* The bill prohibits the Indiana Gaming Commission from entering into a settlement agreement to dispose of a disciplinary proceeding that requires a licensee or an employee of a licensee to pay money to the Commission or any other entity unless the settlement agreement imposes a civil penalty that is permitted by law and deposited in the State Gaming Fund.

*Penalties for Illegal Campaign Contributions:* The bill provides that persons with certain interests in gaming licenses or permits may not give any property to another person with the understanding, either express or implied, that the other person will make, or cause to be made, a political contribution that the person with the interest in the gaming license or permit is prohibited from making. The bill requires persons with certain interests in gaming licenses or permits to make annual reports of all political contributions, including contributions to federal candidates, candidates for office outside Indiana, and committees operating outside Indiana. The bill makes violations of these provisions a Class D Felony.

**Effective Date:** Upon passage; July 1, 2001; January 1, 2002.

**Explanation of State Expenditures:** (Revised) *Racetrack Provisions:* The bill contains two provisions relating to the use of Riverboat Admissions Tax revenue distributed to the Horse Racing Commission. First, the bill limits certain grants by the Horse Racing Commission to racetracks for routine operations, if the track owner sells Pari-mutuel Pull Tabs either at the racetrack or at a satellite facility. The grants are made from Riverboat Admissions Tax revenue that is distributed to the Commission. From each \$3 Admissions Tax, \$0.65 is distributed to the Commission. A portion of this revenue is provided to Hoosier Park Racetrack. The grant amount for CY 2000 is estimated to total \$6.8 M. The bill provides that the maximum grant for owners selling Pari-mutuel Pull Tabs is equal to the CY 2000 grant minus the total adjusted gross receipts from Pari-mutuel Pull Tab sales for the 12-month period immediately preceding the date on which the grant is distributed.

Second, the bill specifies an amount to be deposited annually in a breed development fund for a breed first offered racing days in 2000. The specified amount is to be deposited in the fund by the Commission out of Riverboat Admissions Tax revenues it receives. The amount specified is the greater of (1) 105% of the amount deposited in the breed development fund in 2000 or (2) the amount deposited in 2000 multiplied by the ratio of racing days for the breed to total racing days during that year. Ten racing days for Quarterhorses were first offered at Hoosier Park during 2000. There were also 102 Standardbred racing days and 65 Thoroughbred racing days at Hoosier Park during 2000. According to a preliminary estimate, \$100,000 was allocated to Quarterhorse breed development for CY 2000. Consequently, the amount to Quarterhorse breed development annually must be approximately \$106,000.

The bill also sets a minimum number of racing days at Hoosier Park and a second racetrack for a breed which first offered racing days in 2000. Hoosier Park cannot in the future offer fewer racing days for the breed than offered in 2000. The second track is required to offer a number of racing days for the breed in relation to the the number of days offered by Hoosier Park.

*Voluntary Exclusion Program:* The bill could potentially lead to an increase in cost to the Indiana Gaming Commission. The extent of this cost is not estimated.

The bill requires the Commission to adopt rules to implement a “voluntary exclusion” program for problem gamblers. The program allows individuals to put themselves on a statewide list of people who want to be excluded from all Riverboats. The list would be administered by the Commission, would be confidential, and could only be disseminated to the Riverboat owners for purposes of enforcement. The bill also provides that a person participating in the voluntary exclusion program who attempts to enter a Riverboat has committed criminal trespass. The Commission would also have to enforce this provision. As a result, this program could result in additional cost to the Commission relating to enforcement, postage, printing, and other administrative activities. Currently, Missouri operates a voluntary exclusion program similar to that outlined in the bill. As of January 2001, nearly 2,300 individuals have voluntarily excluded themselves from Riverboat casinos in Missouri. The cost of enforcement in Missouri is reportedly negligible because these activities are conducted by State Highway Patrol officers who are already assigned to investigative and law enforcement activities at the casinos. Research is ongoing regarding the postage, printing, and other administrative costs incurred by Missouri in the conduct of its voluntary exclusion program.

*Purchasing Goals:* The bill establishes minority and women business purchasing goals for horse racing track and satellite facility owners selling Pari-mutuel Pull Tabs; and places responsibility for enforcement of these requirements under the Horse Racing Commission. The same provisions are currently being enforced for Riverboat owners by the Gaming Commission. The January 4, 2001, Manning Table indicates that the Horse Racing Commission has a total of 35 positions, 3 of which are vacant. It would appear that the responsibilities of this provision as it relates, for the near future, to one owner and three facilities can reasonably be fulfilled by the Commission with its current staffing.

The bill establishes women and minority business assistance funds to be administered by the Horse Racing Commission and the Gaming Commission. The bill requires that fines for violations of the minority and women business purchasing requirements applying to owners of facilities selling Pari-mutuel Pull Tabs are to be deposited in the fund administered by the Horse Racing Commission. The bill also requires fines for violations of similar current law provisions relating to Riverboat owners to be deposited in the fund administered by the Gaming Commission.

*Penalties for Illegal Campaign Contributions:* The bill prohibits certain campaign contributions and requires reports of political contributions by persons with certain interests in gaming licenses or permits. The bill makes a violation of these provisions a Class D felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was \$20,700 in FY 1999. Individual facility expenditures ranged from \$14,936 to \$37,807. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually or \$5 daily per prisoner. The average length of stay in DOC facilities for all Class D felony offenders is approximately ten months.

**Explanation of State Revenues:** (Revised) The table below outlines the estimated *annual* impact of the bill on total revenue to the state and to local governments.

<b>Provision</b>	<b>Total Revenue Impact</b>	<b>State Revenue Impact</b>	<b>Local Revenue Impact</b>
Dockside Gaming - Wagering Tax	\$108.83 M	\$81.62 M	\$27.21 M
Dockside Gaming - Admissions Tax	\$45.29 M	\$13.59 M	\$31.7 M
Graduated Wagering Tax/New Distribution Formula	\$205.71 M	\$205.71 M	\$0
\$1 Admissions Tax - Dockside Riverboats	\$57.03 M	\$57.03 M	\$0
\$1 Admissions Tax - Barges	Indeterminable	Indeterminable	Indeterminable
Pari-mutuel Pull Tabs - Wagering Tax	\$1.1 M - \$12.24 M	\$811,000 - \$9.18 M	\$270,000 - \$3.06 M
Pari-mutuel Pull Tabs - Admissions Tax	\$854,000 - \$3.61 M	\$854,000 - \$3.61 M	\$0
Existing Pari-mutuel Admissions Tax	\$57,000 - \$241,000	\$28,500 - \$120,500	\$28,500 - \$120,500
Existing Pari-mutuel Wagering Tax	\$417,000 - \$1.73 M	\$417,000 - \$1.73 M	\$0
Existing Pari-mutuel Satellite Facility Tax	\$83,000 - \$346,000	\$83,000 - \$346,000	\$0
<b>Total</b>	<b>\$419.37 M - \$435.03 M</b>	<b>\$360.14 M - \$372.94 M</b>	<b>\$59.21 M - \$62.09 M</b>

*Dockside Gaming:* The bill changes the definition of a Riverboat to a continuously moored or permanently moored vessel and permits owners of Riverboat casinos to conduct dockside gaming with continuous boarding of Riverboat patrons. The change to dockside gaming is expected to increase both wagering and admissions on Riverboats that operate in such a manner and, thus, to increase revenues from the Riverboat Wagering Tax and the Riverboat Admissions Tax. *Estimates pertaining to particular Riverboats and communities will be made available upon request.*

As a result of dockside gaming operations on the 10 existing Riverboats, revenue from the Riverboat Wagering Tax could potentially increase by an estimated \$108.83 M per year. Under the bill, the state share of this increase would be 75%, or approximately \$81.62 M. The state share of the Wagering Tax is deposited in the Lottery and Gaming Surplus Account within the Build Indiana Fund. For information about changes in the distribution of Wagering Tax revenue under the bill see discussion under “*Riverboat Wagering Tax Rate and Distribution.*”

Also as a result of dockside gaming operations on the 10 existing Riverboats, revenue from the existing \$3 Riverboat Admissions Tax could potentially increase by an estimated \$45.29 M. The following distributions, as determined by statute, are made to the state from each \$3 tax from these Riverboats (these distributions total approximately \$13.59 M):

\$0.15 to the State Fair Commission, totaling \$2.27 M ;  
\$0.10 to the Division of Mental Health, totaling \$1.51 M; and  
\$0.65 to the Indiana Horse Racing Commission, totaling \$9.81 M.

*Background on Dockside Gaming:*

*Dockside Gaming in Illinois:* The estimates above are based on the growth in adjusted gross receipts earned by Riverboat casinos (the wagering tax base) and Riverboat casino admission counts in Illinois prior to and after dockside gaming was permitted in that state. Dockside gaming with continuous boarding of Riverboat patrons began on Illinois Riverboats as of June 26, 1999. Monthly totals for adjusted gross receipts and admissions were analyzed for a period of 58 months beginning with January 1996 and concluding with October 2000. The analysis controlled for the monthly trend in both variables, for changes in the number and size of Riverboat casinos during the period observed, and for the presence of dockside gaming in neighboring Iowa from November through March. The results of this analysis indicate that during the months since dockside gaming began (July 1999 to October 2000) in Illinois, adjusted gross receipts have on average been 29.4% higher than during the months prior to dockside gaming (January 1996 to June 1999). Likewise, the analysis indicated that Riverboat admissions have on average been 36% higher during the months since dockside gaming began.

These estimates assume that the conditions that have existed in Illinois since dockside gaming commenced will be replicated in Indiana, if and when dockside gaming commences. This assumption may be problematic in particular since the competitive environment for Indiana Riverboats may not be similar to that which has existed for Illinois Riverboats. At the time dockside gaming began in Illinois the primary competitors of Illinois Riverboats were Riverboats located in: (1) Indiana, where dockside gaming is not permitted; (2) Missouri, where continuous boarding of Riverboat passengers was at the time not permitted and where a \$500 per excursion loss limit was in place; and (3) Iowa, where dockside gaming on Riverboats was only allowed during the late fall and winter months. If dockside gaming were to be implemented in Indiana the impact on Riverboat wagering and admissions may not reach the level achieved in Illinois since Indiana Riverboats would be competing, to a great extent, with Riverboats in Illinois that already conduct dockside gaming. The presence of land-based casinos operating in Detroit, Michigan, also may serve to dampen the impact of a change to dockside gaming in Indiana. As a result, the estimates based on the Illinois experience may overestimate the impact that dockside gaming will ultimately have on the Riverboat Wagering Tax and the Riverboat Admissions Tax in Indiana.

In order to evaluate this issue further, a separate analysis of adjusted gross receipts and admissions at the Casino Rock Island Riverboat in Rock Island, Illinois, was performed. The Casino Rock Island Riverboat is situated on the Mississippi River across from Riverboats in Bettendorf, Davenport, and Clinton, Iowa. The analysis indicated that the Rock Island Riverboat experienced a larger increase in adjusted gross receipts and admissions due to dockside gaming than was the case for all Riverboats in Illinois. However, the analysis also suggests that the competition of dockside gaming from Iowa Riverboats during the late fall and winter months does have a negative impact on adjusted gross receipts and admissions at the Rock Island Riverboat. More importantly, this impact is much more pronounced for the Rock Island Riverboat than for all Riverboats in Illinois.

*Wagering Tax Estimate:* The estimated impact of dockside gaming on the Riverboat Wagering Tax from the 10 existing Riverboats is based on a preliminary forecast by the State Budget Agency for total Wagering Tax revenue in FY 2002. The preliminary forecast is approximately \$370.16 M. Based on the Illinois experience, the change to dockside gaming is estimated to increase the Wagering Tax by 29.4%, or \$108.83 M.

*Admissions Tax Estimate:* The estimated impact of dockside gaming on the Riverboat Admissions Tax from the 10 existing Riverboats is based on the FY 2000 turnstile and multiple excursions counts adjusted for the operation of Belterra Riverboat that began operating during October 2000. The turnstile count is the number of persons entering the Riverboat and the multiple excursion count is the number of persons remaining on the Riverboat for an additional excursion (generally 2 hours in length). While multiple excursions would not

occur with dockside gaming, the bill creates a system of counting passengers every two hours that would tend to replicate the existing turnstile and multiple excursions count. The bill also requires that the Admissions Tax be imposed on the basis of these periodic passenger counts. Therefore, the Admissions Tax estimate uses the FY 2000 turnstile and multiple excursion counts as a base for the passenger counts that would take place if dockside gaming were conducted by the Riverboats under the bill.

The FY 2000 turnstile count was approximately 18.67 M and the multiple excursion count was approximately 20.06 M for nine Riverboats containing approximately 458,490 square feet of casino space. Due to the addition of the Belterra Riverboat since the conclusion of FY 2000, a proportionate adjustment was made to the turnstile and multiple excursions counts to account for the additional casino space. A unit turnstile count of 40.71 per square foot of casino space and a unit multiple excursions count of 43.75 per square foot were utilized for the adjustment. Belterra reportedly contains 38,000 square feet of casino space. The adjusted turnstile count is 20.21 M and the adjusted multiple excursions count is 21.72 M resulting in an estimated passenger count for FY 2002 of 41.93 M. This assumes that admissions will not trend upward from FY 2000 to FY 2002 and that admissions will grow proportionately with growth in casino space.

The change to dockside gaming by all Riverboats is estimated to increase the passenger count by 36%, or 15.1 M, leading to an estimated \$45.29 M increase in revenue from the \$3 Admissions Tax. This assumes that the count of passengers staying for more than one 2-hour passenger count period (what was previously the count of people staying on the Riverboat for an additional 2-hour excursion) increases by the same factor as the turnstile count. However, the change to dockside gaming may have a greater impact on the count of passengers staying for more than two hours since passengers would be able to board and disembark the Riverboat at anytime.

*Riverboat Wagering Tax Rate and Distribution:* The bill changes the Riverboat Wagering Tax from a flat 20% tax rate imposed on the adjusted gross receipts of Riverboat owners to the following graduated rate structure imposed on adjusted gross receipts:

<b>The portion of Adjusted Gross Receipts that is</b>	<b>Tax Rate</b>
Less than \$25,000,000	20%
At least \$25,000,000 but less than \$50,000,000	22.5%
At least \$50,000,000 but less than \$75,000,000	25%
At least \$75,000,000 but less than \$100,000,000	27.5%
At least \$100,000,000 but less than \$125,000,000	30%
At least \$125,000,000	32.5%

The bill also changes the distribution of revenue from the Wagering Tax. Under the bill, the local share of the Wagering Tax would be equal to 25% of the revenue otherwise raised from a 20% tax on the total adjusted gross receipts of Riverboat owners. Under the bill, the state share would be equal to Wagering Tax revenue raised by the new graduated rate structure minus the above-described local share.

Coupled with dockside gaming, it is estimated that the graduated rate structure could potentially further increase Wagering Tax revenue by approximately \$205.71M per year. This is based on the State Budget

Agency preliminary revenue forecast for the Wagering Tax and the increase due to dockside gaming. Consequently, this is an amount above that which would arise if dockside gaming is coupled with the existing 20% flat rate Wagering Tax. Under the proposed distribution formula the entire amount would be distributed to the State Lottery and Gaming Surplus Account within the Build Indiana Fund.

*Additional Riverboat Admissions Taxes:* The bill imposes an additional \$1 Admissions Tax on Riverboat owners who conduct dockside gaming operations. Based on the adjusted estimate for Riverboat Admissions in FY 2002 and the increase due to dockside gaming, the \$1 tax is estimated to generate \$57.03 M in additional revenue annually. The bill requires the revenue from this tax to be deposited in the Social Service Assistance Fund established in the bill. Money in the fund is distributed in equal shares as follows: (1) To the Housing Trust Fund; (2) for homeless centers; (3) for mental health centers; and (4) for addiction services. Each fund would receive approximately \$14.26 M.

The bill also imposes an additional \$1 Admissions Tax on Riverboat owners who conduct gaming operations on a permanently or continuously moored vessel. Essentially these would be gaming operations on barges rather than boats. Gaming operations on barges are limited by the bill to owners operating on Lake Michigan. Currently, there are five Riverboats operating on Lake Michigan. However, at this time there is no indication which, if any, of these operations would change to a facility on a barge, nor are the potential admissions to such a facility determinable. The bill requires that two-thirds of the revenue from this tax be distributed to the Lake Michigan Property Tax Relief Fund for property tax relief in Lake, LaPorte, and Porter counties. One-third of the revenue from the tax is to be distributed to the Shoreline Environmental Trust Fund to conduct environmental assessments and to provide for remediation of environmental contamination.

*Pari-mutuel Pull Tabs:* The bill authorizes the sale of Pari-mutuel Pull Tabs at Hoosier Park, at the current horse racing satellite facility and a future facility in Marion County, and at a proposed horse racing satellite facility located in Orange County at the West Baden Springs Hotel. However, the bill prohibits the sale of Pari-mutuel Pull Tabs at either facility in Marion County until the permit owner (i.e. currently the owner of Hoosier Park) has provided at least \$15 M in improvements and infrastructure to support “the facility” (which is not defined in the bill) as approved by the Marion County Capital Improvement Board. The bill also requires the Marion County facilities to be located in a blighted area. The future facility in Marion County would require the issuance of a second racetrack permit. Therefore, the estimates below only relate to operations at Hoosier Park, the existing satellite facility in Marion County, and the proposed satellite facility in Orange County. In terms of state revenue the bill imposes the following two new taxes relating to Pari-mutuel Pull Tabs:

(1) A Wagering Tax equal to 20% of the adjusted gross receipts (total wagers minus winnings paid to wagerers and uncollectible receivables) from the sale of Pari-mutuel Pull Tabs. It is estimated that annual revenue from this tax could potentially vary from a low range of \$1.1 M to \$4.6 M to a high of \$12.24 M, depending upon the basis for this estimate and assuming that all three facilities sell Pari-mutuel Pull Tabs. Under the bill, 75% of the revenue from this tax is distributed to the State Lottery and Gaming Surplus Account within the Build Indiana Fund. Based on the estimate, this total could vary from a low range of approximately \$811,000 to \$3.43 M to a high of \$9.18 M.

(2) An Admissions Tax equal to \$3 per paid admission to the facility or, if the facility does not charge for admission, \$3 per patron based on a patron count after the first hour of operation during the day and every two hours thereafter. Assuming the facilities will choose to impose an admission charge of their own, it is estimated that annual revenue from this tax could potentially vary from a low of approximately \$854,000 to a high of approximately \$3.61 M. This also depends upon admissions estimates for the facilities and that



all three facilities will sell Pari-mutuel Pull Tabs. Under the bill, the revenue from this tax is distributed to the State General Fund.

For the Wagering Tax, the low range estimates are based on the slot machine “win” per admission at Casino Aztar for the period December 1999 to November 2000 and the average CY 2000 admissions at Hoosier Park (1,100 per day) for live racing and at the Merrillville satellite facility (260 per day). The “win” is the receipts remaining after winnings are paid to wagerers and the slots used were those ranging from \$1 to \$10. The high estimate is based on the win per slot machine at Casino Aztar for the same period and 600 pull tab positions at each satellite facility (this is roughly equal to the number of \$1 to \$10 slot machines at Casino Aztar). The variation in Admissions Tax estimates depends upon whether the Hoosier Park or Merrillville satellite facility admissions counts are utilized.

*Existing Pari-mutuel Taxes:* In addition, revenue from the *existing* \$0.20 Admissions Tax on satellite facilities, the Pari-mutuel Wagering Tax, and the Pari-mutuel Satellite Facility Tax could potentially increase due to the bill. These impacts are as follows:

(1) The potential revenue impact from the *existing* \$0.20 Admissions Tax on satellite facilities is based on the assumption that the facilities will choose to impose their own admission charge. The existing tax is only imposed upon paid admissions to horse racing tracks and satellite facilities. Currently, admissions are not charged at either Hoosier Park for simulcast racing or at the existing Indianapolis satellite facility. Thus, the bill is estimated to result in approximately \$57,000 to \$241,000 in additional revenue from the existing Admissions Tax at these two facilities and the Orange County facility. Fifty percent of this revenue (approximately \$28,500 to \$120,500) would be distributed to the State General Fund.

(2) Revenue from the *existing* Pari-mutuel Wagering Tax and Pari-mutuel Satellite Facility Tax could potentially increase due to the addition of the Orange County satellite facility. The Wagering Tax is imposed at a rate of 2.5% of the total amount wagered on simulcasts at satellite facilities. The Satellite Facility Tax is imposed at a rate of 0.5% of the total amount wagered. Based on the CY 1999 handle at the existing Ft. Wayne and Indianapolis satellite facilities, the Orange County facility is estimated to result in approximately \$417,000 to \$1.73 M in additional Pari-mutuel Wagering Tax revenue and approximately \$83,000 to \$346,000 in additional Pari-mutuel Satellite Facility Tax revenue. The first \$150,000 of revenue from the Pari-mutuel Wagering Tax is distributed to the Veterinary School Research Account, and the remainder of the revenue goes to the Lottery and Gaming Surplus Account within the Build Indiana Fund. Revenue from the Pari-mutuel Satellite Facility Tax is distributed in equal shares to the Livestock Industry Promotion and Development Fund and to the State Fair Commission.

*Gaming Commission Disciplinary Proceedings:* The bill potentially could result in additional revenue from civil penalties established under the current Riverboat Gaming laws. Civil penalties that are imposed by the Indiana Gaming Commission on licensees (holders of Riverboat occupational, supplier’s, or owner’s licenses) who are found to be in violation of the gaming laws are deposited in the State Gaming Fund. Additional penalty revenue would arise if, under current law, the Indiana Gaming Commission is instead entering into settlements requiring licensees who have violated gaming laws to make alternative payments that are not deposited in the State Gaming Fund

Under current law, if a licensee (a holder of a Riverboat occupational, supplier’s, or owner’s license) or an employee of a licensee violates the Riverboat Gaming laws or engages in a fraudulent act, the Indiana Gaming Commission is permitted to do any combination of the following: (1) suspend, revoke, or restrict the license of the licensee; (2) require the removal of a licensee or an employee of a licensee; (3) impose a

civil penalty of not more than \$5,000 against an individual who has been issued an occupational license or a person who has been issued a supplier's license for each violation of the Riverboat Gaming laws; and (4) impose a civil penalty against an owner for each violation of the Riverboat Gaming laws of not more than the greater of \$10,000 or an amount equal to the licensee's daily gross receipts for the day of the violation.

Current law requires that receipts from civil penalties imposed for violations of the Riverboat Gaming laws be deposited in the State Gaming Fund. These funds are available in the Fund for appropriation to the Commission for administration of the Riverboat Gaming laws. In FY 2000, \$439,230 in penalty receipts were deposited in the State Gaming Fund.

*Penalty Provisions:* The bill specifies Class A misdemeanor penalties for the following: (1) A person participating in the voluntary exclusion program who knowingly or intentionally enters a Riverboat gambling facility (this is considered criminal trespass under the bill); (2) a person who knowingly or intentionally aids, induces, or causes a person less than 21 years of age and who is not an employee of a Riverboat to enter or attempt to enter a Riverboat; and (3) a person who is less than 21 years of age and who is not an employee of a Riverboat who knowingly or intentionally enters or attempts to enter a Riverboat. The bill also specifies a Class D felony penalty for violation of provisions prohibiting certain campaign contributions and requiring reports of political contributions by persons with certain interests in gaming licenses or permits.

If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000 and the maximum fine for a Class D felony is \$10,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

The Missouri voluntary exclusion program provides for a similar offense. As of January 2001, nearly 2,300 individuals were participating in the voluntary exclusion program. However, for the first 11 months of 2000, only eight violations had been recorded.

**Explanation of Local Expenditures:** (Revised) *Orange County Satellite Facility:* The bill provides for a Pari-mutuel Satellite Facility in Orange County. The bill also provides that the town council of French Lick must adopt an ordinance to permit the filing of applications for a permit to operate a satellite facility in French Lick. The bill requires the council to conduct a public hearing on the matter and to publish proper notice about the hearing. The bill exempts the satellite facility from the requirement of a county referendum. The bill could have a minimal impact on costs of the town council relating to the hearing and notice requirements.

*Pull Tabs Referendum in Madison County:* The bill provides that a referendum on allowing Pari-mutuel Pull Tab sales at Hoosier Park be held in Madison County. The election on the question of allowing Pull Tab sales can be held during a primary election, general election, or special election. As a result, the bill could have an impact on the election expenses of the county if officials choose to hold a special election as opposed to holding the referendum at a general or primary election.

*Penalty Provisions:* See “Explanation of State Revenues” for explanation of the penalty provisions contained in the bill. A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44. In addition, if more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase.

**Explanation of Local Revenues:** (Revised) The estimated *annual* impact of the bill on total revenue to local governments is outlined in the table under "Explanation of State Revenues".

*Dockside Gaming:* The bill changes the definition of a Riverboat to a continuously moored or permanently moored vessel and permits owners of Riverboat casinos to conduct dockside gaming with continuous boarding of Riverboat patrons. The change to dockside gaming is expected to increase both wagering and admissions on Riverboats that operate in such a manner and, thus, to increase revenues from the Riverboat Wagering Tax and the Riverboat Admissions Tax. *Estimates pertaining to particular Riverboats and communities will be made available upon request.*

As a result of dockside gaming operations on the 10 existing Riverboats, revenue from the Riverboat Wagering Tax could potentially increase by an estimated \$108.83 M per year. As determined by statute, the local share of this increase is 25%, or approximately \$27.21 M. The distribution of the local share of the Wagering Tax from the 10 existing Riverboats depends upon the location of the Riverboat from which the tax was collected. For Riverboats docked in the largest city in a county that is contiguous either to Lake Michigan or the Ohio River, the local share of Wagering Tax revenue is distributed to the city designated as the home dock. For Riverboats that are not docked in the largest city in a county that is contiguous either to Lake Michigan or the Ohio River, the local share of Wagering Tax revenue is distributed to the county in which the Riverboat is docked.

Also as a result of dockside gaming operations on the 10 existing Riverboats, revenue from the \$3 Riverboat Admissions Tax could potentially increase by an estimated \$45.29 M. The following distributions, as determined by statute, are made to local government units from each \$3 tax from these Riverboats. The distributions would total approximately \$31.7 M.

\$1.00 to the city in which the Riverboat is docked;\*  
\$1.00 to the county in which the Riverboat is docked; and  
\$0.10 to the county convention and visitor bureau or promotion fund.

\*In counties along the Ohio River in which the Riverboat is not docked in the largest city in the county, this \$1.00 is also distributed to the county.

*Local Distributions of Riverboat Admissions Tax Revenue:* The bill caps at the FY 2001 level the amount of Admissions Tax revenue that can be distributed to Riverboat docksite cities, counties, and county convention and tourism bureau or promotion funds. The bill also requires Admissions Tax revenue in excess of the FY 2001 cap to be distributed to counties that are not docksites for Riverboats. This distribution is to be done based on the relative share of the state's population within each of these non-Riverboat counties. As a result, some of the excess Admissions Tax revenue would be left undistributed under the bill.

*Pari-mutuel Pull Tabs:* The bill authorizes the sale of Pari-mutuel Pull Tabs at Hoosier Park, at the current horse racing satellite facility and a future facility in Marion County, and at a proposed horse racing satellite facility located in Orange County at the West Baden Springs Hotel. The future facility in Marion County would require the issuance of a second racetrack permit. Therefore, the estimates below only relate to operations at Hoosier Park, the existing satellite facility in Marion County, and the proposed satellite facility in Orange County. In terms of local revenue, the bill imposes a Wagering Tax equal to 20% of the adjusted gross receipts (total wagers minus winnings paid to wagerers and uncollectible receivables) from the sale of Pari-mutuel Pull Tabs. It is estimated that annual revenue from this tax could potentially vary from a low range of \$1.1 M to \$4.6 M to a high of \$12.24 M, depending upon the basis of this estimate and assuming

that all three facilities sell Pari-mutuel Pull Tabs. Under the bill, 25% of the revenue from this tax is distributed to local government units. Based on the estimate, this total could vary from a low range of approximately \$270,000 to \$1.14 M to a high of \$3.06 M.

The bill requires that one-third of the local share of Wagering Tax revenue from each facility (Hoosier Park, Orange County, and Marion County) be distributed as follows:

- 30% to French Lick;
- 10% to the French Lick Tourism Commission;
- 25% to West Baden;
- 5% to the West Baden Tourism Commission; and
- 30% to Orange County.

The bill requires that two-thirds of the local share of Wagering Tax revenue from each facility be distributed as follows:

- Hoosier Park and Orange County facility revenue:
  - 50% to Anderson; and
  - 50% to Madison County.

- Marion County facility revenue:
  - 100% to Indianapolis.

The bill provides that revenue sharing agreements between these cities or counties and other local government units involving the Pull Tabs Wagering Tax are not prohibited.

*Existing Pari-mutuel Admissions Tax:* In addition, the *existing* \$0.20 Admissions Tax would have a revenue impact based on the assumption that the facilities will choose to impose their own admission charge. The existing tax is only imposed upon paid admissions to horse racing tracks and satellite facilities. Currently, admissions are not charged at either Hoosier Park for simulcast racing or at the existing Indianapolis satellite facility. Thus, the bill is estimated to result in approximately \$57,000 to \$241,000 in additional revenue from the existing Admissions Tax at these two facilities and the Orange County facility. Fifty percent of this revenue (approximately \$28,500 to \$120,500) would be distributed in equal shares to Anderson and Madison County. The bill provides that revenue sharing agreements between Anderson or Madison County and other local government units are not prohibited.

See “Explanation of State Revenues” for discussion of the assumptions underlying these estimates.

*Penalty Provisions:* See “Explanation of State Revenues” for explanation of the penalty provisions contained in the bill. If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

**State Agencies Affected:** Indiana Gaming Commission; Indiana Horse Racing Commission; Department

of State Revenue; Department of Correction.

**Local Agencies Affected:** Local units of governments with riverboats and pari-mutuel gaming; Trial courts, local law enforcement agencies.

**Information Sources:** Bob Lain, State Budget Agency, 232-5610.  
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